

Message Text

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ACTION EB-08

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FM AMEMBASSY BERN

TO SECSTATE WASHDC 5360

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMCONSUL ZURICH POUCH

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EO 11652: N/A

TAGS: EFIN, SZ

SUBJ: CREDIT SUISSE SELLS ITS JELMOLI PARTICIPATION

REF: A) BERN 3621; B) BERN A-84

1. SUMMARY: CREDIT SUISSE ANOUNCED DEC 1 AGREEMENT TO SELL ITS 50 PERCENT PARTICIPATING OWNERSHIP IN JELMOLI DEPT STORES, ZURICH, TO UNION TRADING COMPANY INTL AG (UTC) FOR NEARLY SF 300 MILLION EFFECTIVE DEC 15. CREDIT SUISSE SAID SALE WOULD HELP BUILD UP FINANCIAL RESERVES NEEDED IN CONNECTION WITH CHIASSO AFFAIR AND REDUCE BANK'S PARTICIPATION IN ACTIVITIES OUTSIDE NORMAL BANKING AREA. END SUMMARY.

2. CREDIT SUISSE MANAGEMENT SAID JELMOLI SALE WOULD HELP BUILD UP RESERVES NEEDED IN REGARD CHIASSO AFFAIR. ANNOUNCED SALE PRICE IS SF 1,865 PER SHARE
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THOUGH JELMOLI SHARES CURRENTLY QUOTED ON ZURICH STOCK MARKET AT SF 1,350. DIFFERENCE TO BE PAID REPORTEDLY REPRESENTS ADDITIONAL UNDISCLOSED JELMOLI RESERVES PAYABLE TO CREDIT SUISSE THAT CAN BE USED TO COVER CREDIT SUISSE CLAIMS AGAINST TEXON ANSTALT, LIECHTENSTEIN, RESULTING FROM CHIASSO AFFAIR. CREDIT SUISSE CHAIRMAN AEPPLI TOLD JUNE SHAREDHOLRS MEETING

THAT TEXON ASSETS PLEDGE TO CREDIT SUISSE WERE OVER-
VALUED AT BOOK VALUE SF 1.75 BILLION.

3. CREDIT SUISSE SAID SALE WULD ENABLE BANK
DECREASE PARTICIPATING INTEREST IN ACTIVITIES OUTSIDE
NORMAL BANKING AREA. SHAREHOLDERS WERE TOLD LAST
JUNE THAT BANK DID NOT INTEND KEEP JELMOLI INTEREST
INDEFINITELY. HOWEVER, CREDIT SUISSE SAID IT DOES
NOT FORESEE FURTHER SALES (E.G., ITS SHARE IN ELECTRO-
WATT POWER CO, ZURICH) IN IMMEDIATE FUTURE, THOUGH
IT WOULD NOT RULE OUT EVENTUAL SALE. ELECTROWATT,
ORIGINALLY ESTABLISHED TO FINANCE HYDROELECTRIC PRO-
JECTS AND THROUGH WHICH CREDIT SUISSE CONTROLS AT
LEAST ONE OTHER COMPANY, WOULD APPEAR REPRESENT
DIFFERENT SITUATION THAN JELMOLI.

4. CREDIT SUISSE PURCHASED JELMOLI SHARES IN 1969
TO KEEP COMPANY OUT OF FOREIGN HANDS. JELMOLI IS ONE
OF THREE LARGEST SWISS RETAIL COMPANIES WITH TWO
PERCENT OF MARKET. JELMOLI GROUP HAD 1976 GROSS
RECEIPTS SF 937.3 MILLION FROM 11 STORES IN GERMAN-
SPEAKING SWITZERLAND, MAJORITY SHARES IN STORES IN
FRENCH AND ITALIAN SPEAKING AREAS, AND 50 PERCENT
SHARE IN COMMERCIAL CENTER NEAR LYON, FRANCE.
UTC INTL AG WHICH TAKES OVER FROM CREDIT SUISSE IS
TRADING COMPANY ACTIVE IN AFRICA AND ASIA WITH GROSS
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1976 RECEIPTS SF 500 MILLION. UTC HAS BEEN SEEKING
OPPORTUNITIES DIVERSIFY ITS HOLDINGS. UTC IS CONTROLLED
BY WHOLLY SWISS-OWNED BASEL TRADING COMPANY AG WHICH
HAD COMBINED 1976 RECEIPTS SF 1.5 BILLION.

5. COMMENT: EMBASSY HAS NO REASON TO BELIEVE CREDIT
SUISSE ENCOUNTERING SERIOUS PROBLEMS IN AFTERMATH
CHIASO, THOUGH THERE MAY BE CASH FLOW PROBLEMS. PRESS
REPORTED IN JULY THAT CREDIT SUISSE WAS NEAR CEILING
ON LOAN LEVEL PERMITTED BY PRESENT CAPITALIZATION,
BECAUSE CLAIMS ON TEXON WERE LISTED UNDER LOANS (REFTEL).
CREDIT SUISSE SINCE CHIASO HAS BEEN ENGAGED IN
AGGRESSIVE BANKING, HAVING OPENENED SEVERAL NEW
DOMESTIC BRACHES DESPITE OPINION OTHER BIG BANKS
THEY SHOULD LIMIT COMPETITION AMONG THEMSELVES IN
ALREADY SATURATED MARKET.
ODELL

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